FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms Danske Bank at 'A+'; Outlook Stable

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Fitch Ratings - Warsaw - 10 Nov 2025: Fitch Ratings has affirmed Danske Bank A/S's Long-Term Issuer Default Rating (IDR) at 'A+' with a Stable Outlook and Viability Rating (VR) at 'a+'. A full list of rating actions is below.

KEY RATING DRIVERS

High Credit Quality: Danske's ratings are driven by its strong Nordic focus, particularly its leading position in Denmark, diversified and stable relationship-based business model, low risk appetite and robust capitalisation. The ratings are also underpinned by Danske's well-balanced funding profile, structural improvement in profitability and strong asset quality through the cycle.

Leading Danish Bank: Danske is the largest bank in Denmark and the second-largest in the Nordic region. It is a challenger in Sweden, Norway and Finland, and the market leader in Northern Ireland. Its business model is diversified, focused on traditional commercial banking, and captures a larger share of its customers' spending by offering wealth and life insurance products.

Low Risk Profile: Danske's healthy risk profile incorporates prudent underwriting standards and the bank has a moderate growth appetite, underpinned by close customer relationships. The bank's loan book is diversified by industry and geography and is prudently collateralised. Exposures to market and non-financial risks are modest.

Stable Asset Quality: Danske's impaired loans ratio is weaker than that of highly rated Nordic peers, but loan impairment charges (LICs) have been low, reflecting robust collateralisation. Credit quality also benefits from its focus on sectors with moderate risk profiles in the Nordic region and its prudent corporate loan origination. Fitch expects the impaired loans ratio to remain close to 2% in the short term and credit losses to widen moderately, albeit from a very low base.

Profitability Turnaround: A higher interest rate environment and a gradual completion of compliance-related remediation projects have significantly strengthened Danske's profitability. We believe that this improvement is sustainable. The bank's 2026 strategic profitability targets are ambitious, but achievable as we expect management to keep costs under control.

We forecast the 2025 operating profit/risk-weighted assets (RWAs) ratio at 3.6%. It is consistent with the upper range of Danske's net profit guidance of DKK21 billion-23 billion. We expect the ratio to decrease only modestly in 2026, to 3.4%.

Strong Capitalisation: Danske's risk-weighted capital ratios compare well with peers', with a common equity Tier 1 (CET1) ratio of 18.7% at end-September 2025. We expect the ratio to remain above 16% over the long term, in line with management's target, which results in a prudent buffer over regulatory requirements. Danske's leverage ratio of 4.7% is only moderate but should be viewed in light of the bank's historically low LICs, high share of low-risk, non-loan assets and structurally improved internal capital generation.

Stable Diversified Funding: Danske is reliant on wholesale funding, like most Nordic banks, due to a well-developed covered bond market matching mortgage lending, and a structural deposit shortage in the region. Its well-diversified funding base and an established presence in international debt markets have been resilient to adverse news flows and economic downturns, enabling the bank to execute its funding plan. The bank's low refinancing risk is also underpinned by well-spread maturities, a strong captive domestic investor base and an ample liquidity surplus.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

Danske's robust financial profile provides a lot of rating headroom. We could downgrade the ratings on a lasting weakening of Danske's CET1 ratio to materially below 16%, coupled with a structural increase in risk appetite leading to durably higher LICs, an impaired loans ratio of about 3% and the operating profit/RWAs ratio declining below 2.5%.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

Positive rating action would require a stronger risk profile and asset-quality metrics, for example due to greater geographic diversification, provided this was executed with a conservative risk appetite and resulted in a structurally stronger earnings capacity.

OTHER DEBT AND ISSUER RATINGS: KEY RATING DRIVERS

Danske's Short-Term IDR of 'F1' is the lower of the two options that map to a Long-Term IDR of 'A+', driven by a funding and liquidity score of 'a+'.

Danske's long-term senior preferred debt and deposit ratings of 'AA-' and Derivative Counterparty Rating of 'AA-(dcr)' are one notch above its Long-Term IDR. This reflects the protection from the bank's resolution debt and equity buffers, which we expect to remain comfortably above 10% of the resolution group's RWAs in the long term (end-September 2025: about 18%). For the same reason, Danske's long-term senior non-preferred debt is equalised with the Long-Term IDR. The short-term senior preferred debt and deposit ratings of 'F1+' are the only option mapping to their respective long-term ratings.

Danske's Tier 2 subordinated debt and additional Tier 1 (AT1) securities are notched down from its VR. We rate the Tier 2 debt two notches below the VR for loss severity due to poor recovery prospects for this type of debt. The AT1 securities are four notches below the VR to reflect loss severity (two notches) and their high risk of non-performance (two notches). We expect Danske to operate with a CET1 ratio comfortably above maximum distributable amount thresholds.

No Government Support: Danske's Government Support Rating of 'no support' reflects Fitch's view that senior creditors cannot rely on receiving full extraordinary support from the sovereign if the bank becomes non-viable. The EU's Bank Recovery and Resolution Directive provides a framework for resolving banks that will require senior creditors to participate in losses ahead of a bank receiving sovereign support.

OTHER DEBT AND ISSUER RATINGS: RATING SENSITIVITIES

The Short-Term IDR is sensitive to changes in Danske's Long-Term IDR and its funding and liquidity score.

Danske's DCR, senior preferred and non-preferred debt and deposit ratings are sensitive to changes in the bank's IDRs. They are also sensitive to our expectation that Danske will maintain a buffer of subordinated and senior non-preferred debt of at least 10% of adjusted RWAs; a failure to do so would lead to a downgrade.

The ratings of Danske's AT1 securities and Tier 2 subordinated debt are sensitive to changes in its VR. The ratings of the AT1 securities are also sensitive to Fitch's assessment of their incremental non-performance risk relative to the risk captured in Danske's VR.

An upgrade of the Government Support Rating would be contingent on a positive change in Denmark's propensity to support domestic banks. While not impossible, this is highly unlikely in Fitch's view.

VR ADJUSTMENTS

The capitalisation and leverage score of 'a+' is below the 'aa' category implied score due to the following adjustment reason: risk profile and business model (negative).

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visithttps://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

RATING ACTIONS

ENTITY / DEBT	RATING			PRIOR
Danske Bank A/S	LT IDR	A+ Rating Outlook Stable	Affirmed	A+ Rating Outlook Stable
	ST IDR	F1	Affirmed	F1
	Viability	a+	Affirmed	a+
	DCR	AA-(dcr)	Affirmed	AA-(dcr)

	Government Support	ns	Affirmed	ns
subordinated	LT	A-	Affirmed	A-
subordinated	LT	BBB	Affirmed	BBB
long-term deposits	LT	AA-	Affirmed	AA-
Senior preferred	LT	AA-	Affirmed	AA-
Senior non-preferred	LT	A+	Affirmed	A+

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

Bank Rating Criteria (pub. 21 Mar 2025) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Danske Bank A/S	EU Issued, UK Endorsed

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